

DISABILITY AND WORK BEHAVIOR

How many recipients of federal disability benefits are capable of returning to work? To what extent do disability benefits reduce work effort? Moreover, how does work effort differ between successful and unsuccessful applicants? The answers to those questions are of fundamental importance to any policy change aimed at trying to restrict eligibility for disability benefits or promote work effort among people with disabilities.

Evaluating the research that attempts to answer those questions, however, is complicated by the problem of comparing differing definitions of disability. Definitions of disability abound, and alternative definitions can yield different results.

According to regulations in the Social Security Disability Insurance and Supplemental Security Income programs, people qualify for benefits if they are deemed incapable of sustained work. Nevertheless, some recipients do work, although generally below the limits of substantial gainful activity. If one measures disability not by reciprocity of disability benefits but by responses to survey questions that ask people to identify themselves as being disabled, more people with disabilities work. A more restrictive definition obviously leads to the conclusion that few, if any, people with disabilities are capable of obtaining employment. The choice of definition used in any discussion of those issues, therefore, should be made explicit.

The information presented in this memorandum indicates that although the majority of people receiving disability benefits cannot work, some recipients are able to do so. Furthermore, reducing people's expectations about the amount of benefits and length of time they could receive them is likely to increase their participation in the labor force. Nevertheless, efforts to encourage DI and SSI recipients to work cannot be expected to counter much of the continuing growth in those programs.

Different Definitions of Disability

By the nature of program rules, people qualifying for SSI disability benefits or DI benefits are considered by the government to be incapable of sustained work. Many people who have an impairment on Social Security Administration's listing of qualifying medical conditions, however, are employed.⁹ What does it mean to be disabled? The definition SSA uses to determine eligibility for benefits may not

9. See H.P. Brehm and T. V. Rush, "Disability Analysis of Longitudinal Health Data: Policy Implications for Social Security Disability Insurance," *Journal of Aging Studies*, vol. 2, no. 4 (1988), pp. 379-399.

coincide with what people report in survey data used to research the effects of disability on work behavior. Defining disability is a difficult exercise, and the way it is defined can substantially influence the findings of any empirical study.

The data used in this memorandum are based on the self-reporting of disabilities. Respondents to the Survey of Income and Program Participation (SIPP) were classified as disabled if they reported that they have a health condition or disability that limits the amount or type of work they can do. That definition is not equivalent to the qualifications for receiving federal disability benefits. A person could be limited in his or her work effort because of a disability but still be able to exceed the SSA's standard of substantial gainful activity. Therefore, finding that many people who identify themselves as disabled are gainfully employed does not necessarily imply that many DI and SSI recipients are capable of similar work effort. Furthermore, using that definition, two people with the same medical condition (for example, blindness) may differ when it comes to labeling themselves as disabled. In part, respondents' answers to the survey question on disability depend on factors such as their age and the type of work they performed before becoming disabled.

The number of people receiving DI or SSI disability benefits falls in between the number of people with disabilities as measured by the most inclusive and most restrictive definitions. According to the self-reported definition used in the SIPP, 18.5 million adults between the ages of 18 and 64 were disabled in 1992, just under 12 percent of that population. Using a measure based on the ability to perform "major life activities," the National Health Interview Survey (NHIS) found that in 1992, only 15.7 million adults were disabled in the same age group (about 10 percent of that population), although almost half of those people reported they were able to do some work.¹⁰ Using a more restrictive definition—namely, limitations on the ability to perform at least one activity of daily living (ADL) such as bathing, eating, dressing, using the toilet, or transferring from bed to chair—data from SIPP suggest that only 3.4 million nonaged adults were disabled that year. A threshold of three ADL restrictions yields an estimate of only 1.1 million adults with disabilities. By comparison, about 7 million adults received DI or SSI benefits in 1992, under 5 percent of the nonaged adult population. That figure is slightly less than the percentage of NHIS respondents claiming to be unable to work, and in between the number of people who identify themselves as having a disability and those with ADL restrictions.

10. A "major life activity" is defined as the predominant age-appropriate social role. For example, the major life activity for children under 5 is "playing." For adults ages 18 to 69, it is "working" or "keeping house."

Work Behavior of Adults with Disabilities

People with disabilities demonstrate a wide range of work behavior. Although they work less than people without disabilities, many of them are employed.¹¹ Many, however, are out of the labor force. Not surprisingly, recipients of federal disability benefits work significantly less than those not receiving benefits. The key question, however, is to what extent, if any, the availability of benefits encourages people to limit their work behavior.

Work Behavior of Adults with Disabilities Who Are Not Recipients. According to the SIPP, about 44 percent of disabled adults between the ages of 18 and 64 who were not receiving disability benefits in 1992 were working (see Table 1). Almost 21 percent reported that they were capable of working, leaving more than one-third who were not receiving benefits claiming to be unable to work. Presumably, those nonworkers were relying on assets, other family members, or other government programs for their financial support, or were applying for benefits.

Although only 44 percent of people with disabilities who were not receiving benefits were employed, they represent a majority of the 60 percent of those who were working at the time their disability began (see Table 2). Approximately three-fourths of the people who were working at the reported onset of their disability were still employed in 1992.¹² Conversely, a rough estimate is that one-fourth of people who become disabled but do not receive government benefits stop working. Of course, some of them might receive benefits in the future. Other research, using the Health and Retirement Survey, also suggests that roughly one-fourth of adults who become disabled stop working and never work again.¹³

The definition of disability used in this paper (that is, the self-reported presence of a disability or health condition limiting the amount or type of work a person can do) may explain the finding that about 70 percent of DI recipients were working at the onset of their disability. Perhaps they reported the disabling condition as having begun while they were working; but by the time they considered

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11. For the remainder of this paper, "people with disabilities" refers to people who report themselves as having a condition that limits the amount or type of work they can do, unless otherwise noted.
 12. The SIPP did not ask disabled recipients who were currently employed whether they were also working at the time of onset. This estimate therefore assumes that everyone who was employed when surveyed in 1992 was working when they became disabled. Forty-four percent of disabled adults who were not receiving benefits were working in 1992, and 60 percent had been working at the time of onset ($44/60$ is 0.73, or about three-fourths).
 13. See M.C. Daly and J. Bound, *Worker Adaptation and Employer Accommodation Following the Onset of a Health Impairment*, Working Paper No. 5169 (Cambridge, Mass.: National Bureau of Economics, July 1995).

TABLE 1. WORK BEHAVIOR OF ADULTS AGES 18 TO 64 WITH DISABILITIES,
BY PROGRAM PARTICIPATION AND SEX, 1992 (In percent)

	DI Only	SSI and DI	SSI Only	Neither
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All				
Working now	5.3	13.5	11.6	44.1
Not working, but able to	8.2	4.1	10.2	20.6
Not working and unable to	<u>86.5</u>	<u>82.4</u>	<u>78.3</u>	<u>35.3</u>
Total	100.0	100.0	100.0	100.0
Male				
Working now	7.4	14.1	15.1	50.9
Not working, but able to	8.2	2.6	10.3	19.2
Not working and unable to	<u>84.4</u>	<u>83.3</u>	<u>74.6</u>	<u>29.8</u>
Total	100.0	100.0	100.0	100.0
Female				
Working now	2.4	13.1	9.4	37.7
Not working, but able to	8.2	5.3	10.1	21.9
Not working and unable to	<u>89.5</u>	<u>81.6</u>	<u>80.5</u>	<u>40.4</u>
Total	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program Participation.

NOTE: DI = Disability Insurance; SSI = Supplemental Security Income.

TABLE 2. PERCENTAGE OF ADULTS AGES 18 TO 64 WITH DISABILITIES
WHO WERE WORKING AT THE ONSET OF THEIR DISABILITY,
BY PROGRAM PARTICIPATION AND SEX, 1992

	DI Only	SSI and DI	SSI Only	Neither
All	69.3	39.9	26.6	59.7
Male	75.5	32.1	34.0	65.8
Female	60.1	46.0	22.1	54.1

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program Participation.

NOTE: DI = Disability Insurance; SSI = Supplemental Security Income.

condition sufficient to "limit the amount or type of work" they could do, they had already stopped working in expectation that the disability would worsen.

Work Behavior of Recipients of Certain Federal Disability Benefits. DI recipients are much more likely to be employed at the onset of their disability than are SSI recipients. Over 69 percent of DI-only recipients were working when they became disabled, compared with just under 27 percent of SSI-only recipients. That result is not surprising. Attachment to the labor force is a condition for receiving DI benefits, and SSI recipients have lower earnings since their benefits are means-tested. The total amount of work experience for both groups, however, is undoubtedly higher than those figures indicate. To qualify for DI, recipients must have extensive work histories. Research indicates that most recipients of SSI disability benefits have had significant periods of employment. One study found that almost 80 percent of people with disabilities receiving SSI during the 1980s had work experience, and that the mean level of experience for those people was over 11 years.¹⁴ Of course, the average amount of their earnings was small; over 80 percent of them had yearly earnings under \$6,000.

A greater percentage of SSI recipients worked while receiving benefits than did DI recipients, although their earnings were obviously low since they continued to receive cash benefits. Their higher propensity to work might have resulted from the fact that SSI benefits are lower than DI benefits, giving the SSI recipients a stronger incentive to supplement their income or try to work their way off the program. Another explanation is that SSI recipients may not be as impaired as DI recipients. Only about 14 percent of DI recipients who were not also receiving SSI reported themselves either working or capable of working.¹⁵ Among SSI recipients, that figure was about 20 percent.

Men were more likely, on average, to be working (see Table 1). For both sexes, however, recipients were less likely either to work or to report themselves capable of working. Men were also more likely to be working at the onset of their disability, except men receiving benefits from both DI and SSI.

14. See C.G. Scott, "Disabled SSI Recipients Who Work," *Social Security Bulletin*, vol. 55, no. 1 (Spring 1992), pp. 26-36.

15. Adding the 5.3 percent who are working now and the 8.2 percent that report themselves capable of working yields 13.5 percent of DI-only recipients who do not view their condition as making them unable to work. The 5.3 percent of DI recipients who are working is very similar to the 4 percent who reported working at the time benefits began. See J. Hennessy and L.S. Muller, "Work Efforts of Disabled-Worker Beneficiaries: Preliminary Finding from the New Beneficiary Follow-up Survey," *Social Security Bulletin*, vol. 57, no.3 (Fall 1994), pp. 42-51. In that study, however, an additional 18 percent of beneficiaries started to work some time after they began receiving benefits, but a sizable portion of those people subsequently left the DI rolls.

Disability Benefits and Work Behavior

A number of studies have discovered a link between the expected value of receiving disability benefits and participation in the labor force. The strength of that link, however, is subject to debate. The General Accounting Office has found that roughly half of the people who either were denied DI benefits upon application or were terminated from the program return to work.¹⁶ That finding demonstrates substantial variation in the response to the availability of disability benefits—many people return to work but many do not. What emerges from those analyses is a complex picture of a heterogeneous population.

Nevertheless, relatively few people leave the DI program by returning to work. Fewer than 6,000 of the more than 3.7 million recipients left the rolls to return to work on their own accord in 1993.¹⁷ That figure amounts to fewer than two out of every 1,000 recipients. Most people leave the DI rolls because they either age into the retirement part of Old-Age, Survivors, and Disability Insurance (179,000 in 1993) or die (164,000). Fewer than 5,000 left the DI program as a result of continuing disability reviews in 1993. The number of terminations was low largely because the SSA had until recently performed a fairly small number of CDRs—50,000 in 1993.¹⁸

The rate at which adult recipients of SSI disability benefits return to work is not available but is probably low. One way of gauging the number of people who leave the SSI program because they return to work is to examine the number of former SSI cash recipients who are still receiving Medicaid. Those recipients, known as 1619b recipients, are receiving Medicaid because they did not have health insurance even while working and their income is not large enough to allow them to replace their Medicaid benefits in the private insurance market. Judging from the number of 1619b recipients, the number of SSI beneficiaries who stop receiving benefits because they return to work is small. From 1990 to 1994, the number of 1619b recipients grew by about 17,000, to a total of 41,000. Over the same period, the number of people with disabilities on SSI rose by about 1.5 million, to a total of 4.7 million.

16. General Accounting Office, *Social Security Disability: Denied Applicants' Health and Financial Status Compared with Beneficiaries*, GAO/HRD-90-2 (November 1989).

17. D. Koitz, G. Kollmann, and J. Neiser, *Status of the Disability Programs of the Social Security Administration, 1994*, CRS Report for Congress 94-477 EPW (Congressional Research Service, June 1994), p. 16.

18. As discussed later, the recently signed Contract with America Advancement Act encourages adequate funding for substantially more CDRs through 2002. Almost 330,000 CDRs were completed in 1996.

The growth in the number of 1619b recipients, however, is not an exact measure of how many SSI recipients return to work, because no solid information exists on why people stop being 1619b recipients. Reasons include a return to receiving cash benefits, having an income high enough to be removed from the program, and death. Nevertheless, compared with the number of people on SSI, the number of 1619b recipients is very small—about 1 percent.

These results do not imply that SSI recipients rarely work while receiving SSI benefits. Research indicates that during the first 10 years of reciprocity, almost 34 percent of people receiving benefits worked at least one year and that 9 percent worked more than five years.¹⁹ In most cases, however, their earnings were not sufficient to make them ineligible for benefits.

The Impact of Expected Benefits on the Labor Force Participation of the Disabled.

The estimated impact of the level of cash disability benefits on the population's work behavior varies substantially across studies.²⁰ The preponderance of evidence, however, suggests that a significant connection exists between the value of disability benefits and the work effort of older men. Based on research on the sensitivity of work behavior to the availability of disability benefits, an increase in benefit levels of 10 percent would cause the labor force participation of adult males ages 45 to 64 to decrease between 1 percent and 2 percent.²¹

This level of responsiveness translates into a moderate impact on the supply of labor. From 1968 to 1978, the labor force participation of men ages 55 to 64

19. See L. Scott Muller, C.G. Scott, and B.V. Bye, "Labor-Force Participation and Earnings of SSI Disability Recipients: A Pooled Cross-Sectional Time Series Approach to the Behavior of Individuals," *Social Security Bulletin*, vol. 59, no. 1 (Spring 1996), pp. 22-42.

20. See J. Bound, "The Health and Earnings of Rejected Disability Applicants," *American Economic Review*, vol. 79, no. 3 (1989), pp. 482-503; D. Parsons, "The Decline in Male Labor Force Participation," *Journal of Political Economy*, vol. 88, no. 1 (1980), pp. 117-134; B. Kreider, "Labor Force Responsiveness to Social Security Disability Insurance: A Simultaneous Choice Model of Applications to SSDI, Eligibility, and Lifetime Opportunity Costs" (working paper, University of Virginia, 1995); R. H. Haveman and B. L. Wolfe, "Disability Transfers and Early Retirement: A Causal Relationship?" *Journal of Public Economics*, vol. 24, no. 1 (1984), pp. 47-66; J. Halpern and J. A. Hausman, "Choice Under Uncertainty: A Model of Applications for the Social Security Disability Insurance Program," *Journal of Public Economics*, vol. 31, no. 2 (November 1986), pp. 131-162; J. Gruber and J. D. Kubik, *Disability Insurance Rejection Rates and the Labor Supply of Older Workers*, Working Paper No. 4941 (Cambridge, Mass.: National Bureau of Economic Research, November 1994).

21. Less work has been done examining women's responsiveness to benefit levels. Those studies suggest a slightly higher responsiveness for women, especially female heads of households. See H.W. Hoynes and R. Moffitt, *The Effectiveness of Financial Work Incentives in DI and SSI: Lessons from Other Transfer Programs*, IRP Discussion Paper No. 1073-95 (University of Wisconsin-Madison, October 1995).

decreased by about 12 percentage points at the same time that average real DI benefits increased by 43 percent after being adjusted for inflation. Some researchers have claimed that rising benefits explain the lion's share of the drop-off in work effort.²² More recent studies, however, have found that most of the decline stems from other factors. Researchers estimate that between 10 percent and 15 percent of the 12 percentage-point fall in labor force participation among older men can be attributed to the rise in benefits.²³

Proposals for placing a time limit on benefits from disability programs do not include reductions in the benefits paid on a monthly basis. Rather, they lessen the expected value of the benefits recipients receive over their lifetime. In essence, that is a reduction in benefits; thus, a subsequent increase in labor force participation might accompany it along the scale suggested by the research cited previously—that is, a 1 percent increase in labor force participation with a 10 percent drop in benefits. In fact, estimates of the impact of different benefit levels on labor force participation are based not so much on different amounts being paid but on different chances of being awarded benefits in the first place. Using those estimates to gauge the response to a change in the expected value of benefits under a time-limiting policy that affects the likelihood of receiving benefits seems appropriate. CBO used that approach in its analysis of a proposal for time-limiting disability benefits.

Comparing Recipients with Those Denied Benefits or Terminated from Receiving Them. One way to gauge the work capabilities of the disabled is to examine applicants who have been denied entry into the federal disability system. Denied applicants presumably view themselves as disabled or they would not have applied for benefits. A state disability determination service, however, did not believe that disabilities prohibited them from engaging in substantial gainful activity. Therefore, people who have been refused benefits are probably more capable of working than many who report themselves as disabled. Or at least that was the opinion of the disability determination service. Thus, if recipients were removed from the DI program, their work behavior would be, at most, the same as those applicants who were denied benefits. The General Accounting Office published a study in 1989 focusing on that group.²⁴ Some of the results are summarized in Table 3. In

22. Parsons, "The Decline in Male Labor Force Participation"; F. Slade, "Older Men: Disability Insurance and the Incentive to Work," *Industrial Relations*, vol. 23, no. 2 (1984), pp. 260-269.

23. Bound, "The Health and Earnings of Rejected Disability Applicants"; Halpern and Hausman, "A Model of Applications for the Social Security Disability Insurance Program"; R. Haveman, B. Wolfe, and J. Warlick, *Behavioral Responses to Social Security Retrenchment: Estimates from a Trichotomous Choice Model*, IRP Discussion Paper No. 789-85 (University of Wisconsin-Madison, 1985); Kreider, "Labor Force Responsiveness to Social Security Disability Insurance."

24. General Accounting Office, *Social Security Disability*.

TABLE 3. SELECTED RESULTS FROM THE GAO STUDY ON APPLICANTS TO THE SOCIAL SECURITY DISABILITY INSURANCE PROGRAM IN 1984

	Applicants Receiving Benefits ^a	Applicants Denied Benefits ^b			Removed from Program ^c
		All	Working	Not Working	
Average Age	54	45	n.a.	n.a.	42
Percentage with Fair or Poor Health Status	78	68	52	80	64
Percentage Needing Help with Personal Care	50	28	12	40	27
Poverty Rate	43	51	36	61	34
Percentage with No Health Insurance	n.a.	27	29	25	19
Percentage on Medicaid	n.a.	12	4	18	7
Percentage Who Work	8	42	100	0	58

SOURCE: Congressional Budget Office using data from a 1987 survey by the General Accounting Office reported in GAO, *Social Security Disability: Denied Applicants' Health and Financial Status Compared with Beneficiaries*, GAO/HRD-90-2 (November 1989).

NOTE: n.a. = not available.

- a. Data are for people who successfully applied for Disability Insurance (DI) benefits in 1984.
- b. Data are for people who applied for DI benefits in 1984 but were turned down and still not receiving Old-Age, Survivors, and Disability Insurance (OASDI) benefits as of 1987.
- c. Data are for people who were initially awarded DI benefits before 1981 but were terminated from the program between 1981 and 1984 after being reviewed by the Social Security Administration (SSA). Many of those terminated subsequently reapplied for benefits. In June 1987, 63 percent were reenrolled.

particular, of those denied benefits in 1984 who were still not receiving any benefits from OASDI in 1987, only 42 percent were working.

The question remains as to why 58 percent of applicants who were deemed able to work did not. Several explanations are possible. First, those applicants may have been mistakenly denied; that is, they may have been truly incapable of securing gainful employment. Supporting that hypothesis is the fact that the percentage of denied applicants who were not working and reported needing help with personal care was almost as large as the percentage of successful applicants who needed help—40 percent as opposed to 50 percent. In comparison, only 12 percent of denied applicants who were working needed help. Similarly, 80 percent of people who were denied benefits and were not working reported fair or poor health status, which is very close to the 78 percent of program recipients who reported fair or poor health status and significantly more than the 52 percent who were denied benefits and returned to work.

A second explanation for the failure to return to work is simply that the denied applicants may not have found adequate or appropriate employment even if they were physically and mentally capable of performing some type of work. Even if they could find employment, it might not have paid enough to induce them to accept it. Perhaps their household had other sources of income that enabled them not to work, or maybe their expected wages were low enough that they preferred leisure to labor. In fact, the more education those people had (and thus the higher their potential wages), the more likely they were to return to work. Of course, those with higher levels of education are capable of doing a wider variety of nonmanual jobs, and so their disability might impose fewer limits on their employability. In any event, denied applicants who were not employed were generally not well off; over 60 percent of denied applicants who were not employed had income below the poverty rate.

Third, some analysts have claimed that the eligibility criteria make people less employable and may even quell their desire to work. That explanation is hard to verify, but several factors support it. First, applicants to DI must be out of work before they apply for benefits. If currently employed, people who apply for benefits would have to sever ties with an employer who, knowing the applicant, might have been more willing to make accommodations in the workplace than another employer.²⁵ Furthermore, unsuccessful applicants wishing to reapply must remain out of the workforce. Close to 30 percent of denied applicants end up receiving DI benefits on the basis of a later application, according to the GAO study.

25. See Daly and Bound, *Worker Adaptation and Employee Accommodation*.

In addition, some people claim that the application procedure itself highlights to applicants exactly what their limitations are and undermines their perception of their ability to work. If that explanation is valid, a portion of the 58 percent of denied applicants who were not working when surveyed would have been working if the DI program did not exist.

The same basic conclusions can be drawn by comparing recipients who were terminated from the program with those who are still receiving benefits (see Table 3). People terminated from DI were less likely than recipients to need personal care or be poor. Also, more of them had access to health insurance. Finally, recipients who were removed from the program and did not subsequently return upon reapplication were more likely to work than were those who were denied benefits in the first place (58 percent compared with 42 percent). Nevertheless, 42 percent of those terminated from DI did not return to work, and over one-third of them were in poverty.

Family Support for Working While Disabled

Some analysts have suggested that living arrangements might affect whether people with a disability can work. Having someone at home to help with transportation, therapy, and the extra costs associated with working might make it easier for people who have disabilities to cope with the special problems they encounter in working. In fact, adult DI and SSI recipients are much more likely to be living alone or not with family members than are other adults who have disabilities. Over 26 percent of DI recipients and almost 38 percent of SSI recipients are not living with family members, compared with under 18 percent of disabled nonrecipients.

Closer inspection of the data, however, does not support the argument that living arrangements may enable an individual with disabilities to work. People with disabilities who do not receive DI or SSI are no more likely to live with a family member if they are working than if they are not. In both cases, slightly over 17 percent are not living with their family (see Table 4). Furthermore, both male and female recipients of DI benefits living with family members are less likely to be working at the time of the onset of their disability (see Table 5). Approximately 5 percent of married men and male family heads who are DI beneficiaries work, compared with about 13 percent of those living on their own or with unrelated individuals (see Table 6). One possible explanation is that men who are not living with other family members may have less household income, which raises the relative value of any earnings. Another explanation is that men with disabilities who are more capable of working and looking after themselves may not be as likely to move in with family members.

TABLE 4. LIVING ARRANGEMENTS OF ADULTS AGES 18 TO 64 WITH
DISABILITIES, BY PROGRAM PARTICIPATION AND SEX,
1992 (In percent)

	All	Male	Female
Disability Insurance			
Married ^a	50.5	55.7	43.6
Not married, living with family	23.0	22.1	24.3
Not married, not living with family	<u>26.4</u>	<u>22.1</u>	<u>32.1</u>
Total	100.0	100.0	100.0
Supplemental Security Income			
Married ^a	31.4	36.2	28.3
Not married, living with family	30.6	25.6	34.0
Not married, not living with family	<u>37.9</u>	<u>38.2</u>	<u>37.8</u>
Total	100.0	100.0	100.0
Neither Program, Working			
Married ^a	65.7	70.8	58.1
Not married, living with family	16.7	13.1	22.1
Not married, not living with family	<u>17.6</u>	<u>16.1</u>	<u>19.8</u>
Total	100.0	100.0	100.0
Neither Program, Not Working ^b			
Married ^a	60.5	61.7	59.7
Not married, living with family	22.2	18.6	24.8
Not married, not living with family	<u>17.3</u>	<u>19.7</u>	<u>15.6</u>
Total	100.0	100.0	100.0

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program Participation.

a. Includes married people living with their spouse, or not with their spouse but with other family members.

b. Not working is defined as earning less than \$500 per month.

TABLE 5. PERCENTAGE OF ADULTS AGES 18 TO 64 WITH DISABILITIES WHO WERE WORKING AT THE ONSET OF THEIR DISABILITY, BY PROGRAM PARTICIPATION AND HOUSEHOLD TYPE, 1992

	Disability Insurance	Supplemental Security Income	Neither
All	64.4	30.1	59.7
Married	72.5	29.0	61.1
Male, Not Married			
Living with family	56.2	17.8	61.3
Not living with family	73.6	49.7	64.5
Female, Not Married			
Living with family	41.5	22.0	51.2
Not living with family	58.6	33.6	60.1

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program Participation.

NOTE: The data underlying the percentages shown above for Disability Insurance (DI) and Supplemental Security Income (SSI) also include adults with disabilities who receive benefits under both programs. About 17 percent of DI recipients receive SSI, and 27 percent of SSI recipients also receive DI.

TABLE 6. WORK BEHAVIOR OF ADULTS AGES 18 TO 64 WITH DISABILITIES, BY PROGRAM PARTICIPATION AND HOUSEHOLD TYPE, 1992 (In percent)

	Disability Insurance	Supplemental Security Income	Neither
All			
Working now	6.7	12.1	44.1
Not working, but able to	7.5	8.5	20.6
Not working and unable to	<u>85.8</u>	<u>79.4</u>	<u>35.3</u>
Total	100.0	100.0	100.0
Married			
Working now	5.5	16.8	45.6
Not working, but able to	6.4	8.6	21.7
Not working and unable to	<u>88.1</u>	<u>74.6</u>	<u>32.7</u>
Total	100.0	100.0	100.0
Male, Not Married			
Living with family			
Working now	3.9	17.6	47.3
Not working, but able to	15.0	5.8	20.1
Not working and unable to	<u>81.1</u>	<u>76.7</u>	<u>32.6</u>
Total	100.0	100.0	100.0
Not living with family			
Working now	12.8	12.4	47.0
Not working, but able to	7.5	6.1	16.8
Not working and unable to	<u>79.7</u>	<u>81.4</u>	<u>36.2</u>
Total	100.0	100.0	100.0

(Continued)

TABLE 6. CONTINUED

	Disability Insurance	Supplemental Security Income	Neither
Female, Not Married			
Living with family			
Working now	3.7	6.2	36.5
Not working, but able to	9.2	8.6	19.5
Not working and unable to	<u>87.1</u>	<u>85.2</u>	<u>44.0</u>
Total	100.0	100.0	100.0
Not living with family			
Working now	9.4	10.1	42.0
Not working, but able to	6.6	11.5	20.0
Not working and unable to	<u>84.0</u>	<u>78.3</u>	<u>38.0</u>
Total	100.0	100.0	100.0

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program Participation.

NOTE: The data underlying the percentages shown above for Disability Insurance (DI) and Supplemental Security Income (SSI) also include adults with disabilities who receive benefits under both programs. Almost 17 percent of DI recipients receive SSI, and 27 percent of SSI recipients also receive DI.

Health Insurance as an Incentive for Not Working

Some policy analysts have argued that receiving health insurance is a major incentive for stopping work in order to receive disability benefits. Successful SSI applicants receive Medicaid benefits immediately, although DI recipients do not receive Medicare benefits for two years. People with disabilities on average have significantly higher medical costs and a more difficult time obtaining coverage, so health insurance might be an attraction strong enough to make them stop working. Or at least the possibility of being uninsured might prevent them from returning to work once they feel they have recuperated enough to reenter the labor force, if they are unlikely to find a job that provides health insurance.

Many new recipients of federal disability benefits did not have health insurance just before entering their program (see Table 7). Over 25 percent of new DI recipients in 1992 were uninsured before receiving benefits, as were almost 34 percent of new SSI recipients. Married DI and SSI recipients were more likely to be insured just before they started receiving benefits.

Applicants who are denied benefits also have high rates of being uninsured. About 27 percent of people denied benefits to DI have no insurance (see Table 3). The percentage of denied applicants without insurance is actually slightly lower for those who do not work than those who do, because they are much more likely to receive Medicaid benefits. People terminated from the DI program are less likely to be uninsured—about 19 percent—than applicants who were denied benefits.²⁶

Little work has been done to assess the impact of potential health insurance benefits on the work behavior of disabled workers. Studies examining a similar situation that exists with recipients of Aid to Families with Dependent Children have had mixed results, though most studies suggest a significant link between the desire for health insurance and welfare participation.²⁷

26. The estimates of insurance rates for people terminated from the DI program should be viewed with caution since they are based on relatively few observations compared with the other estimates. Furthermore, the data are from the 1980s.

27. R. Blank, "The Effect of Medical Need and Medicaid on AFDC Participation," *Journal of Human Resources*, vol. 24, no. 1 (1989), pp. 54-87; R. Moffitt and B. Wolfe, "The Effect of the Medicaid Program on Welfare Participation and Labor Supply," *Review of Economics and Statistics*, vol. 74 (November 1992), pp. 615-626; D.T. Ellwood and E.K. Adams, "Medicaid Mysteries: Transitional Benefits, Medicaid Coverage, and Welfare Exits," *Health Care Financing Review*, Supplement (1990), pp. 119-131; S.L. Decker, "The Effect of Medicaid on Participation in the AFDC Program: Evidence from the Initial Introduction of Medicaid" (working paper, Harvard University, 1993).

TABLE 7. SOURCE OF HEALTH INSURANCE FOR NEW RECIPIENTS
DURING THE MONTH BEFORE BECOMING A RECIPIENT
OF DISABILITY BENEFITS, 1992 (In percent)

	All	Married	Not Married	
			Living with Family	Not Living with Family
Disability Insurance				
Private insurance	41.9	47.4	30.9	43.0
Government insurance	32.3	31.8	30.6	35.4
Uninsured	<u>25.8</u>	<u>20.8</u>	<u>38.5</u>	<u>21.6</u>
Total	100.0	100.0	100.0	100.0
Supplemental Security Income				
Private insurance	26.2	35.5	18.7	13.7
Government insurance	40.1	33.2	52.1	35.4
Uninsured	<u>33.7</u>	<u>31.3</u>	<u>29.3</u>	<u>50.9</u>
Total	100.0	100.0	100.0	100.0

SOURCE: Congressional Budget Office using data from the 1992 Survey of Income and Program participation.

